Annual Report

(1938-1939)

Health Service System of San Francisco

(For Employees of the City and of the Board of Education)

WALTER B. COFFEY, M. D.
Medic Director

HEALTH SERVICE BOARD
Room 305, Civic Auditorium
San Francisco, California

Annual Report

(1938-1939)

Health Service System of San Francisco

(For Employees of the City and of the Board of Education)

WALTER B. COFFEY, M. D.
Medic Director

HEALTH SERVICE BOARD
Room 305, Civic Auditorium
San Francisco, California

Members

Health Service Board

(Term expiring May 15, 1940)

JOSEPH E. CUTTEN

WILLIAM P. JUZIX

MARY MAUDE MURPHY

(Term expiring May 15, 1941)

JOHN J. KANE

CAMERON H. KING

MARTIN F. WORMUTH

(Term expiring May 15, 1942)

CHARLES T. BUTTERWORTH

CAPT. ARTHUR D. LAYNE

CAPT. JOSEPH B. MCKEON

MERCURY PRESS

Foreword

The following annual report of Health Service Board, prepared by Mr. F. M. Robinson of the administrative staff, was adopted at the regular meeting of the Board, March 6, 1940, and copies ordered printed for distribution to members and interested persons.

HELEN CANNON
Acting Secretary

Contents

Introduction

On January 1, 1940, Plan 1 of the Health Service System had been in operation one year and three months. During that time it had provided medical protection for over 15,000 persons. *It had actually paid doctor bills for three out of every four city and school employees who were members, and had relieved thousands of members of worry over burdensome medical bills for their families.* The persons so protected did not have to consider whether or not they could afford to see a doctor or go to a hospital. The bills would be paid from their common health service fund. As a result they had more and better medical care than ever before. They were probably better cared for medically than any comparable group in the United States.

Plan 1 is the culmination of several years of effort on the part of employees of the City and of the Board of Education to secure a workable low cost method of group health protection for themselves and their dependents.

The following report describes the financial and statistical experience of the first year of operation of the Plan and the major developments in the service since it went into effect, October 1, 1938.

STATEMENT OF FINANCES

During the year ending September 30, 1939, the municipal employees and the employees of the Board of Education contributed $413,962.40 to the Health Service System for medical care for themselves and their families. Of this sum, $294,571.15 was contributed for employee members and $119,391.25 for dependents. These contributions covered an average monthly membership of 14,750 persons.

The membership was made up of 9,809 employees, 3,124 adult dependents and 1,817 minor dependents. This was average monthly membership, and does not represent the total at the end of the year. The membership had increased from 10,761 employees and dependents for October, 1938, to 15,806 for September of 1939. Most of the increase was due to the enrollment of dependents. There was, however, an increase of nearly 1,000 employee members. The gain in employee membership came largely from the withdrawal of exemptions by those who wanted the protection of the service. There continues to be a slight increase each month in the membership of both employees and dependents. The enrollment as of December 31, 1939, stood at 10,293 employees, 3,437 adult dependents and 2,140 minors—a total of 15,870. These figures are all based on the actual receipts, and do not take into account those persons who hold membership cards but who, because of leaves without pay, or any other reason, do not receive a salary check for any given payroll period. This does not materially affect the averages for the year because the delinquent payments are deducted from a subsequent payroll, but it does mean that the membership is always a little larger than shown by the contribution records for any one month.

Of the total receipts for the year, $374,857.36 was allocated to the Medical Fund and $39,105.04 to the Administration Fund. The allocation to the Medical Fund was supplemented with the transfer of $3,427.19, which represented the balance of the Board's funds remaining from the period when Plan 1 was inoperative. This made the Medical Fund total for the year $378,284.55.

The allocations to the two funds are made each month and the above figures are the totals for the year. In order to illustrate the manner in which the moneys collected each month are distributed to the funds, the month of September, 1939, will be used as an example.

Of the $2.50 received for each employee and adult dependent, $2.25 goes into the Medical Fund for the month, and 25 cents, or ten per cent, into the Administration Fund to pay the clerical, accounting, and other administrative costs of the System. The entire amount of the contribution for minor dependents goes to the Medical Fund.

For September, $25,552.50 was received for employees and $8,745.00 for adult dependents, making a total from these two sources of $34,297.50. From this sum, $3,429.75 went to the Administration Fund, plus $9.00 in penalties from persons who had waived their exemptions in order to re-enter the System, and $30,867.75 was allocated to the Medical Fund. Contributions for minor dependents were $2,458.50, and this all went into the Medical Fund. From the total collections of $36,765.00, the final allocation, then, was $33,326.25 to the Medical Fund and $3,438.75 for the Administration Fund. This same procedure followed month by month resulted in the total allocations for the year given above.

From a total of $378,284.55 allocated to the Medical Fund for the year, $355,232.77 was disbursed for actual medical care. Doctors received $241,-756.57, hospitals $81,422.80, x-ray laboratories $15,953.70, clinical laboratories $9,213.83 and ambulance companies $1,461.50. Physiotherapy treatments were given in the System's own physiotherapy department. The cost of maintaining this branch of the service was $5,424.37.

Non-medical charges to the Medical Fund amounted to $22,700.94. This included the fee of the Medical Director, the salaries of the assistant medical director, the telephone operators and other non-clerical personnel and the various expenses of the medical department, including rent, telephone service, printing, purchase of equipment, stationery, supplies, postage and miscellaneous expense.

A balance of $350.84 in the Medical Fund represented small amounts remaining after the medical bills and non-medical charges for each month had been met.

Of the total allocation of $39,105.94 to the Administration Fund, $24,-240.18 was expended for personal services and $9,212.26 for rental and

purchase of equipment, printing and tabulating, stationery and office supplies, directors' bond premiums and insurance, costs of the Health Service Board election, postage, legal services, telephones and miscellaneous expense. Partial cost of the necessary alterations in the Auditorium for the new Health Service quarters were charged to the Administration Fund prior to September 30, 1939. This amounted to $1,078.92. The fund showed a cash balance at the end of the year of $4,573.68.

The following percentage distribution of expenditures was made from the total of the combined funds:

DOCTORS	57.9
HOSPITALS	19.5
X-RAY LABORATORIES	3.8
CLINICAL LABORATORIES	2.2
AMBULANCE	0.4
PHYSIOTHERAPY	1.3
MEDICAL OVERHEAD	5.3
NON-MEDICAL OVERHEAD	7.9
EQUIPMENT AND ALTERATIONS	0.5
UNEXPENDED BALANCE	1.2
	100.0

Of the total of $355,232.77 disbursed for medical care, approximately 68 per cent went for doctor service, 23 per cent for hospitalization, and 9 per cent for x-ray, clinical laboratory examinations, ambulance and physiotherapy.

NOTE:

Subdivision 4 of Section 172.1 of the charter of the City and County of San Francisco, under which the Health Service System was established, provides:

"Disbursements from the fund shall be made only upon audit by the controller and the controller shall have and exercise the accounting and auditing powers over the funds of the system which are vested in him by this charter with respect to all other municipal boards, officers and commissions."

The following summary of financial operations presents these figures in further detail.

SUMMARY OF OPERATIONS

Year Ending September 30, 1939

CONTRIBUTIONS FROM MEMBERS			
Employees		$294,269.65	
Adult Dependents		93,728.25	
Minor Dependents		25,663.00	
Penalties		301.50	$413,962.40
ALLOCATION OF FUNDS			
Total of monthly allocations to Medical Funds	$374,857.36		
Transferred to Medical Fund from Plan I, inoperative	3,427.19	378,284.55	
Administration		39,105.04	$417,389.59
TOTAL MEDICAL FUNDS			$378,284.55
MEDICAL SERVICE CHARGES			
Doctor bills	$241,756.57		
Hospitalization	81,422.80		
X-Ray Laboratories	15,953.70		
Clinical Laboratories	9,213.83		
Ambulance	1,461.50		
Physiotherapy (Operating Expense)	5,424.37	$355,232.77	
OTHER MEDICAL FUND CHARGES			
Personal Services	6,739.37		
Fee of Medical Director	11,633.77		
Rent	900.00		
Telephone	985.04		
Printing	1,020.67		
Stationery, Office Supplies	739.73		
Postage	141.88		
Equipment	389.66		
Miscellaneous expense	150.82	22,700.94	$377,933.71
BALANCE			$ 350.84
ADMINISTRATION FUND			$ 39,105.04
ADMINISTRATION CHARGES			
Personal Services		$ 24,240.18	
Rental of equipment (Tabulating machines)		2,912.17	
Printing and Tabulating		2,553.91	
Alterations—New Quarters		1,078.92	
Stationery, Office Supplies		918.33	
Bond premiums, insurance		665.15	
Postage		446.85	
Legal Services		300.00	
Telephone		52.00	
Election Expense		283.07	
Purchase of equipment		686.78	
Miscellaneous expense		394.00	$ 34,531.36
BALANCE			$ 4,573.68

THE DOCTORS

The sum of nearly a quarter of a million dollars paid to doctors of medicine during the first year of the Health Service covered treatment of 10,696 individuals. This is 73 per cent of the entire membership—employees and dependents. As was to be expected, the percentage of employees using the service was somewhat less during the initial period than dependents. Sixty-seven per cent of the employees had the service of a doctor by the end of September, 1939, and a preliminary check of the records revealed that that percentage had gone up to 75 by the end of the calendar year. That is many more patients than had been anticipated and probably means that the municipal employees of San Francisco were better cared for medically than any other comparable group in the United States. At least we know that three out of every four employees of the city had the attention of a doctor, which is a greater proportion than of any similar group on which statistics were available to the Health Service Board, and the high professional standards of medical practice in San Francisco are recognized generally.

Although there was actually a heavy increase in certain illnesses during the winter months, most of what might appear to have been an exceptionally high illness rate was not really that at all, but only an increase in requests for the services of doctors for conditions which formerly would have received no medical attention. Some of this was expected. The Board believes that the free availability of the services of a doctor for even minor conditions and for periodic check-ups is a necessary part of any group health protection program. It means that over a period of time the value of preventive medicine will be felt, with the result that the individual will be better off because of improved health and the city government, in this case, will be better off because of improved service from its employees and less financial loss from sick leaves. There was, of course, considerable abuse of the system. A certain amount of this was to be expected during the early stages of the Plan and much has now been done to eliminate practices that worked to the disadvantage both of the membership as a whole and of the professional staff. The adjustments necessary to curb overuse and permit a higher rate of payment to the doctors will be explained later.

Of the 10,696 subscribers who had the attention of a doctor during the first 12 months, most needed only a few visits to a physician's office. Many, however, had surgical operations or received a prolonged series of visits from the doctor of their choice, either at home or in the hospital, which would have cost several hundred dollars and kept the city employee in financial straits for months, or even years, if it had not been for the Health Service.

There are now 986 local doctors and 94 out-of-town doctors—a total of

1080 participating in the Health Service. This is an increase of about 200 since the service became effective. Nearly 800 had joined the professional staff prior to October 1, 1938. During the time that there was an increase of 200 in the staff there were 28 withdrawals. Seven members of the professional staff expired and two moved from San Francisco. The out-of-town staff is for the convenience of members who are employed outside of San Francisco and for those who live elsewhere with the approval of the Director of Public Health or Board of Education.

Of the total of 1,117 doctors who signed up with the System, 943 had treated one or more patients under Plan 1 by September 30, 1939. The average number of Health Service Patients per doctor was 18.5 for those who had patients and the highest number 676.

The cost of the doctor services for these cases varied from two and a half units for a single office visit to $262. This is for the doctor, only, and just for one doctor. Many cases had the attention of more than one doctor.

The average total amount for the year for all patients paid to doctors of the professional staff who rendered service was $255.37. The highest total payment was $5,498.70.

The following tables illustrate the distribution of patients and the total amount received by doctors. The number of patients by doctor grouping does not necessarily coincide with the grouping by amounts received. A surgeon might have received more money for a fewer number of patients than was paid a general practitioner for a larger number.

TABLE 1

Distribution of Patients by Doctors

*Number Patients**	*Number Doctors*
None	174
Under 5	255
5— 9	230
10— 19	206
20— 49	178
50— 99	52
100—199	19
200—above	3

* The number of patients as used here is the number treated by different doctors. Many persons were patients of more than one doctor.

TABLE II

Distribution of Funds to Doctors

Amounts Received	*Number Doctors*
None	171
Under $50	250
$50 to $199	335
$200– $499	212
$500 –$999	113
$1,000 –$1,999	29
$2,000—$2,999	2
$3,000– $3,999	1
$4,000—above	1

The charter amendment under which the Health Service was established guarantees the patient free choice of doctor. Plan 1 puts that provision into practice. This feature was demanded by the doctors and had the approval of the employees. The Board has guarded that right of free choice very carefully. The Medical Director and his staff have frequently been asked to recommend doctors. These requests are refused with the explanation that the System has neither the authority nor the desire to guide the patient in his selection of a doctor. The subscriber is provided with a list of the doctors who have signed up with the Health Service. The list includes most of the practicing doctors of medicine in the city. The patient must select a doctor who is on the list. Beyond that his choice is made in the same manner as though he were not a member of the System.

There is no way of knowing how evenly or unevenly the distribution of the city employees as patients over the medical profession in San Francisco was before the Health Service became effective. It is known, however, what that distribution has been under the Health Service System. The result of the free choice practice during the first 12 months has been that 25 per cent of the doctors have been selected by the patients for 75 per cent of their medical care. In other words, one-fourth of the doctors received three-fourths of the patients and three-fourths of the doctors received only one-fourth of the patients.

The complaints that have arisen among the doctors have not been in proportion to the number of patients they have treated. The most frequent complaints come from doctors who receive few patients, and most of the complaints of subscribers are from the 25 per cent of the patients who select doctors with a small Health Service practice.

There is a relationship, too, between the number of patients a doctor receives and the number of visits for their treatment he submits in his bills. A tabulation of the services rendered by the various members of the professional staff revealed a marked tendency on the part of those doctors who had comparatively few Health Service patients to use more visits per case in their treatment than the doctors who had a larger number of patients.

The chief complaint of the doctors against the Health Service has been that the monthly value of the unit of service was too low. At the time Plan 1 was inaugurated there was no existing system nearly enough like it to be used as a basis of determining the amount of medical service that could be provided for a group of this kind at a fixed sum. Such data as was available indicated that the benefits desired could be obtained for a monthly contribution of $2.50. It was anticipated that the amount of treatment given during the first year would be more than would be expected under normal circumstances after pre-existing conditions in both employees and dependents had been cleared up and after the members and their doctors had become accustomed to the system.

The most important financial result of this inaugural period was that the doctors received an average of only 66 cents for a unit of service which under the full value of the fee schedule would have been worth one dollar. The full value of the unit was paid for the first three months—October, November and December of 1938. After that the value fluctuated between a low of 50 cents for January, 1939, and a high of 67 cents for September, 1939, the twelfth month of the service.

For October, November and December of last year the rate was 77 cents, 71 cents and 80 cents, respectively, and indications are that the changes in the service which became effective for January of this year, and the higher contribution for most minor dependents which will enlarge the Medical Funds beginning with February will result in a further substantial increase in the rate of payment to the doctors.

While it is generally agreed that the value of the unit during the first year was entirely too low to compensate the doctors fairly for their services, it may be pointed out that *the total amount of money paid to the doctors of San Francisco month after month for care of the municipal employees was far greater than they ever received before for treating the same group.* It is true that the doctor may have received less for each individual item of service—assuming that in private practice he actually collected a fairly high proportion of his fees—but he performed far more service, both as to number of patients and number of treatments, than formerly, and accordingly received a greater amount of money. This would not be the case, of course, with every individual doctor, but it is true of the medical profession of San Francisco as a whole. Proof of this statement is found in the Health Service Board records for the six-and-one-half month period during which Plan 1 of the Board was inoperative.

It will be recalled that the Controller had made deductions for the Health Service from the city payrolls of March 15, March 31, and April 15, 1938. He then withheld the funds from the Board pending a court opinion on the legality of Plan 1 and the charter amendment under which it was adopted.

The opinion upheld the system on every point and after the Plan was

put into operation October 1, 1938, the Board issued a notice requesting that employees who had been members on March 15, present all the bills they had incurred for medical service between March 15 and September 30, 1938, in order that the money held during this inoperative period might be used to make a pro-rata reimbursement to the employees for the doctor, hospital and other medical expenses they had met.

A tabulation of these claims showed that $64,539 worth of medical bills for service that was substantially the same as that provided under Plan 1 had been submitted. On a monthly basis these would have amounted to $9,930. The average amount available each month for payment of medical bills (exclusive of physiotherapy) of employee-members of the Health Service from the contributions made by employees only is $20,517.

This is a net amount after administrative allocations and all non-medical deductions have been made.

Many of the employees probably delayed going to the doctor during that time and some must have neglected to submit small bills, but a comparison of this amount, $20,517, with the $9,930 per month paid prior to October of 1938 reveals that the medical profession as a whole has received considerably more for the care of city and school employees than before group payment of their medical bills was instituted.

This fact is no doubt recognized by many members of the professional staff and probably accounts to a large extent for the willingness of a majority of the doctors of the community to cooperate in working out a satisfactory health service plan. A majority of the participating doctors have cooperated to a surprising degree and very likely will continue to do so as long as they realize that the Health Service Board is sincere in its efforts to provide the best of medical attention for its members at a rate which compensates the professional staff fairly and disturbs the previous relationship between the doctors and their patients as little as possible.

PAYMENT TO DOCTORS AND VALUE OF UNIT BY MONTHS

October, 1938–September, 1939

Month	*Year*	*Paid to Doctors*	*Value of Unit*
October	1938	$13,452.00	$1.00
November	"	17,603.50	1.00
December	"	38,063.00	1.00
January	1939	17,940.75	0.50
February	"	18,874.87	0.65
March	"	17,801.04	0.50
April	"	18,948.17	0.54
May	"	19,543.34	0.57
June	"	19,630.78	0.57
July	"	19,174.62	0.66
August	"	20,273.08	0.65
September	"	20,451.42	0.67
TOTAL		$241,756.57	$0.66

October	1939	$24,948.14	$0.77
November	"	21,703.75	0.71
December	"	23,066.85	0.80

HOSPITALS

Thirteen hospitals in San Francisco have signed agreements with the Health Service Board to accept a uniform rate of compensation for care of the subscribers of the system. This is all but one of the major hospitals in the city. In addition, there are now nine out-of-town hospitals participating for those employees who live or are employed in other areas.

These institutions received from the Health Service a total of $81,422.80 for hospitalization of 1,500 persons entitled to benefits of the system during the twelve months ending September 30, 1939. The average cost per case was $54.28. Almost all of this amount went to local hospitals. There was, however, a great difference in the number of patients selecting various hospitals, and a corresponding difference in the amounts paid for their care. An indication of preference for a particular hospital was obtained from the city employees in a questionnaire survey of their medical expenses made shortly after the first Health Service Board took office. The preference shown in this survey held fairly consistently during the year under Plan 1.

Over 50 per cent of the total payment went to three institutions for the care of 835 patients. These three hospitals headed the list of preferences stated in the questionnaire returns.

Payment to the hospitals is made at the flat rate of $7.20 a day, regardless of the amount of service used. In some so-called "come and go" cases, where the patient is confined only part of the day, the full daily rate is not charged.

This entitles the patient to a ward bed, meals, general nursing care, floor supply of drugs and dressings, x-ray and clinical laboratory examinations, use of operating room, administration of anesthetic, and various other services. A patient may select a private or semi-private room by paying to the hospital the difference between the regular ward rate and the rate for any other room he may choose. Many patients chose the higher priced accommodations.

There were two rather frequent types of complaint from the hospitals. The first was that cases hospitalized for one or two days for minor operations often used so much service in addition to the bed that they were unprofitable. This was especially true of the hospitals that received comparatively few cases. With those receiving a larger number of cases the situation was equalized by cases which required no "extras" and remained a longer period—sometimes the full 21 days allowed under the Plan. It is expected that a decrease in the frequency of minor operations with the

clearing up of pre-existing conditions in the membership will work to the advantage of the hospitals as well as the doctors.

The second source of dissatisfaction among the hospitals was the practice of some doctors of ordering an excessive number of examinations and other services for their Health Service patients when their attention did not cost the patient anything individually. There have been fewer complaints of this practice in recent months, however, and the difficulty has probably adjusted itself as the doctors became familiar with the Plan and realized that a satisfactory relationship with the hospitals must be maintained if the rate of compensation to the doctors is to be increased.

Approximately 10 per cent of the subscribers received hospital benefits during the year. They required a total of 11,309 days of hospitalization. This is an average of seven and one-half days per case, which demonstrates that for the great majority of cases the 21 days allowed by Plan 1 are more than sufficient. Under a recently adopted resolution the Board has, however, provided a method of extending additional hospital benefits soon to those few cases requiring more than the present limit.

The year's experience has shown that the cost of providing the present hospital benefits was 46 cents per subscriber per month, exclusive of overhead. An arbitrary apportioning of a few cents per member per month of the overhead expense to the cost of hospitalization shows that these benefits have been obtained at a far lower price than could have been had by re-insuring the membership in an outside hospital insurance organization. The usual rate of these outside organizations is 90 cents a month. *In other words, the Health Service Board and its Medical Director have actually saved the city employees and the teachers between 35 and 40 cents per month each, or about $4.50 for the year, on the cost of hospitalization.* The total saving on adult subscribers alone has been well over $50,000.

The fact that pre-existing conditions in the employee membership and in those dependents who were enrolled when the System first became operative were accepted for treatment necessitated the delaying of hospitalization for cases which were not acute. Requests for hospitalization of non-acute cases are placed on a waiting list and permission to enter a hospital as a Health Service patient for an operation is granted by the Medical Director as conditions permit. The number of cases going into the hospital each month from this list depends upon the number of acute or emergency cases which must be cared for and upon the general prevalence of illness. The fewer acute or emergency cases which arise, and the less general illness, the more cases are taken from the list each month.

It is necessary to more or less stabilize the proportion of the Medical Fund which goes to the doctors and the hospitals in order to protect the interests of the doctors. It is expected that the list will eventually be depleted to a point where there will be little or no delay for hospitalization of non-acute cases.

X-RAY, CLINICAL LABORATORIES AND AMBULANCE

X-ray and clinical laboratory examinations and ambulance service for the first 12 months of the service accounted for $26,629.03, or eight per cent of all the money disbursed for medical care, not including physiotherapy.

X-ray facilities were used by 1,733 subscribers at a total cost of $15,953.70. This was an average of $9.20 per patient.

Clinical laboratory procedures for 2,082 persons cost $9,213.83, an average of $4.43 per patient. Payment was made to 43 x-ray and 96 clinical laboratories.

The yearly limit on the amount of these benefits permitted under Plan 1 is $10.00 and $5.00, respectively, for ambulatory patients. This does not apply to examinations given patients while confined to a hospital during the 21 days allowed by the Health Service. There the cost of such examinations is included in the flat daily rate paid the hospital. The high proportion that the average cost per patient is of the total allowed shows that most patients who have any x-ray or clinical laboratory tests use all of these benefits they are entitled to under the Plan. This means that many patients must bear some expense for examinations beyond the maximum provided. There is at present, however, no apparent way of increasing these benefits without either curtailing other benefits or increasing the subscription rate. Neither of these courses is practical. The Board feels that the members are now contributing as much as they should be required to contribute to provide themselves with adequate care.

The other course, curtailing other benefits, is likewise undesirable. Extensive doctor care and hospitalization are much more important than the auxiliary care required by ambulatory patients. Finally, the individual member who is so unfortunate as to suffer a prolonged illness or a serious injury is much better off if all his doctor bills are paid for that condition and a maximum amount of hospitalization provided than he would be if these benefits were restricted so that at another time he might be saved a few dollars on an x-ray or a clinical laboratory examination for a condition which did not require him to be in a hospital. It is during the time of a more serious illness or injury that he needs help most. This was one of the factors by which the Board was guided in its action upon the adjustments in the benefits recommended by the Medical Director for the year beginning January 1, 1940.

Ambulance service is the smallest item financially of the auxiliary care provided under the System. The total cost of this service was $1,461.50. That covered 209 patients, an average of $6.99. One person in seven who went to the hospital used an ambulance. There are three local ambulance companies. All are participating in the Plan.

PHYSIOTHERAPY

Physiotherapy service is maintained by the Board, itself. A rule of the Board requires that physiotherapy treatments be administered under the supervision of a doctor of medicine. There is no outside agency in the city devoted to physiotherapy exclusively that has a doctor of medicine in charge. Although a rule of the Board limits such treatments to $10.00 in selling value per patient, there is, under the present arrangement, no limit on the amount of this medical care.

The physiotherapy department has proved to be one of the most popular features of the Health Service System. When the doctor prescribes physiotherapy treatments for a Health Service patient, the patient takes the prescription to the department and one of three expert attendants administers the type of treatment ordered by the doctor with modern, up-to-date equipment that has been purchased by the Health Service System to provide an unlimited amount of the best of this type of medical treatment for its members.

The cost of maintaining this branch of the service during the first year was $5,424.37. This included the salaries of two full-time operators, one part-time operator and a part-time doctor of medicine as supervisor and rent, laundry and miscellaneous supplies. The cost of the equipment and furnishings was paid from funds contributed prior to the time Plan 1 became operative.

During the first 12 months 8,855 treatments were administered to 403 patients. This is an average of 22 treatments per patient. If given by an outside agency these treatments would have cost about $1.50 each, or a total of $13,282.50. The actual cost was $5,424.37. Thus it is seen that in providing the number of treatments used the Board saved some $7,858 of its members' funds by establishing and operating the physiotherapy department.

CHANGES IN THE PLAN

Several changes or adjustments, most of them of a minor nature, were made in the working of Plan 1 commencing with November, 1939. They were of three general types—reduction of the number of units allowed the doctors for surgery, restriction of certain benefits, and an increase in the rate of contribution for some minor dependents. The last feature of the revision did not become effective until February, 1940.

These changes were adopted for two reasons. *First, to permit a higher rate of payment to the doctors, and second, to reduce the disproportion between the amount paid in for dependents and the amount paid out for the service used by them.* The second reason for the changes has a direct bearing on the first. An adjustment of the benefits of all dependents and an increase in the rate of contribution to $1.50 for those minor dependents

who had been in the System at $1.00 per month would go far toward increasing the value of the unit to a point where the doctors were amply paid.

Plan 1 had no parallel precedent. It was unique and experimental. There was no way of foreseeing just exactly what benefits could be provided at a given rate of contribution. This was recognized at the time the Plan was drawn up, and provision was made at that time for a review of the medical and financial experience by a conference of the doctors, the Medical Director and the Health Service Board after the service had been in operation for 12 months. This experience was reviewed, certain statistical data studied, and proposals for adjustment made.

The outstanding fact was that the doctors had received an average of only 66.3 cents per unit of service for which the full value was supposed to be $1.00. All parties to the negotiations agreed that the rate of payment had been inadequate and that steps should be taken to increase it. And since dependents had cost more in proportion to the amount contributed for them than employees they were the first to be considered in making adjustments in the service.

An additional factor here was the ratio of employees who had brought dependents into the System to those who had not. Approximately one-third of the employees had brought in one or more dependents. This meant that for every employee who would benefit as a result of a portion of the employee contributions being used for the care of dependents, two employees would be injured to the extent that their Health Service would not be as satisfactory as though the dependents were carrying themselves. *The Board's first responsibility is to the employees* and a majority of the employee members either did not have dependents within the meaning of the Plan or did not enroll them in the System.

For these reasons the following changes in the service were adopted to affect *dependents only:*

1. Treatment was limited to one year for any one condition, illness, or injury. That means that dependents with chronic ailments will get only one year's treatment for those ailments. They will get such treatment as is necessary for all other illness. (This provision also applies to "independent beneficiaries." Independent beneficiaries are retired employees and those who are not under the Retirement System. Both are in the Health Service on a voluntary basis.)

2. The rate for minor dependents was increased to $1.50 per month regardless of the number enrolled by the employee, and application must be made for admission of all such dependents in the family if any one is to be entered.

3. In the future all dependents must have a medical examination before being admitted to the System and any pathological condition existing at that time will have to be corrected before the person is

admitted; or the person may be admitted but the Health Service will not be responsible for the bills for treatment of that condition.

4. No minor dependent will be admitted until attaining the age of one year.

It is expected that, with the probable normal decrease in the amount of service used, these changes affecting dependents, together with the changes affecting all subscribers, will just about equalize the sum paid in for dependents and the sum paid out for them.

The most important change affecting both the dependents and the employees is the limiting of the number of office visits for which the Health Service will be responsible to five per month. *This change was a counter proposal to one made by the doctors' committee that the patient be required to pay for the first two office visits and the first two home visits.* The Medical Director felt that the first two visits are of the utmost importance to the health of the subscribers. Making those two visits in time might save many more later on. And only a comparatively few patients require more than five visits a month to the doctor's office, while every patient would be adversely affected if he were compelled to pay for the first two visits. Furthermore, the Board's records disclose numerous cases of patients asking or doctors encouraging continuous unnecessary visiting. The occasional member who has to pay for extra office visits has already received $12.50 worth of service for his $2.50 and still has the protection of unlimited home and hospital visits.

A second important change applying to all subscribers was the restricting of the patient to the service of one doctor a month unless the consent of the Medical Director is obtained to go to more than one member of the professional staff. This change was adopted to curb an abuse that had cost the System hundreds of dollars each month. Many patients seemed to enjoy shopping around from one doctor to another for the same condition. They would not have done this if they had been paying the bills as individuals, and to do it as Health Service patients was unfair to other members and to the doctors. There was also a tendency on part of some doctors to refer a patient to another doctor, and then another, running up unnecessary expense. Patients must have the right to change doctors, however, and the doctors must have the right to refer to specialists. That right is protected by preventing its abuse.

Refractions—measuring of the eyes for glasses—were eliminated from the benefits beginning with November, 1939. There was some question as to whether or not refractions constituted medical care within the common understanding of the term. This service is a relatively small item of expense to the individual but was costing the system a total of over 1,000 units a month. These units of service could better be used by patients who were unquestionably medical cases. A further consideration was the request from optometrists that they be permitted to examine Health Service

patients for glasses. Optometrists are not doctors of medicine, and doctors of medicine are the only practitioners for whose services provision is made in Plan 1.

A further change which affects the doctors principally and all subscribers only indirectly was the revision of the fee schedule to permit the general practitioner to receive more for his services. This was accomplished by adjusting the number of units allowed for certain surgical procedures, the result being to increase the value of the unit slightly for both surgical and non-surgical cases. The doctors' committee agreed to this adjustment, as they did to the other changes. It is expected that the final result of all these changes will be a considerable increase in the rate of payment to the doctors, while leaving the subscribers, especially the employee members, with substantially the same protection that they enjoyed during the first year of the Health Service.

ADMINISTRATION EXPENSE

Although the administrative or non-medical costs of the Health Service were considerably lower during the inaugural period of Plan 1 than might have been expected—13.2 per cent as compared with an average of over 18 per cent for three Eastern organizations—there is every indication that this expense will take an even smaller portion of the member's contribution during the ensuing year.

Shortly before the end of 1939 the organization moved into new quarters on the third floor of the Civic Auditorium. Here, for the first time, the System was adequately housed. Prior to the move the Administrative office had occupied a single room in the City Hall. As the activities in this office increased it became evident that it could not continue to function efficiently without more space. As more space was not available in the City Hall, the Mayor's help was enlisted to request the Chief Administrative Officer and the Director of Properties to investigate the possibility of providing the city employees' organization with sufficient space elsewhere.

The assistance of these officials resulted in the offer of space in the Auditorium. The rooms offered needed some partitioning and refinishing in order to make them suitable and the Board was told that the necessary alterations could be made as a W.P.A. project with the Health Service furnishing the materials and the W.P.A. the labor. This proposal was accepted and the Board now has, rent-free, offices that will enable its functions to be performed with a maximum of efficiency. The cost of the alterations was $3,027.42. This investment will be returned many times over in the saving on rent. The administrative office had to vacate the room in the City Hall, even though it could not get space in another city-owned building, and the move permitted the Board to accept the recommendation of the Medical Director that, in the interest of efficiency and economy, a place also be made for himself and his staff in the same quarters.

The rooms occupied by the Medical Director before the move were in a private building at 909 Hyde Street, which also housed the physiotherapy division of the service. There the rental for both the Medical Director and the physiotherapy was $150. The space was about equally divided between the two and $75 was considered to be rent expense of the Medical Director's office. When it had become apparent that the administrative office had to get more space whether in a rent-free building or not—this was before quarters in the Auditorium had become assured—an investigation was made of the possibility of obtaining space at 909 Hyde Street. The price there was $125 more for the additional necessary rooms. The saving resulting, then, from the consolidation of the administrative office and that of the Medical Director in the Auditorium will be at least $200 a month, or $2,400 a year, in rent alone—enough to pay for the alterations in a little more than a year. The only added item of expense is a small monthly bill for janitor service. And the System now has spacious, well arranged rent-free offices that will meet its needs for years to come. Other probable savings in the move will be lower printing bills and elimination of the necessity of duplicating some of the clerical work and records.

Aside from economies resulting from improved quarters and the consolidation of the offices there should be a further reduction in the proportionate non-medical costs due to the experience gained in the early stages of the system and the fact that some of the work and expense necessary for the launching of the service will not be repeated. The setting up of proper payroll deduction records, for example, was a large item of expense which will not be repeated. The same is true of other records and procedures.

It may be pointed out, in this regard, that the cooperation and assistance of the Controller and his staff were of inestimable value in establishing and maintaining the collection and disbursement procedures.

The portion of the funds available during the year which went for so-called overhead was a little over 13 per cent. This includes all non-medical charges to both the administrative and the medical funds, except $1,076.44 for equipment and $1,078.92 of the alteration expense. Six per cent of the charges to the Medical Fund were for non-medical expense, but this is included in the total of 13 per cent for all overhead from both funds.

This is low in comparison with other organizations from which information was available—remarkably low considering that it was for the first period of operation of the Plan—but it is felt that by the time the next report on the System is issued it will be even less. *In the meantime, these savings will be used to provide more days of hospitalization for our members in accordance with a resolution recently adopted to extend these benefits.*

MEDICAL DIRECTOR

On March 1, 1940, Dr. Walter B. Coffey, the Medical Director, addressed a communication to the Health Service Board, reciting the difficulties which had beset the administration of the system during its first year, and expressing the belief that "We are now going forward in our second year in a better atmosphere of good will." He wrote, "I feel, therefore, that I can relax somewhat the vigilance and attention to detail that was so necessary during the first year in setting up procedures, establishing precedents, and formulating the routine of efficient control of the medical service." He concluded by asking for more free time and a corresponding downward revision of his salary.

In accordance with his request the Board adopted a resolution continuing Dr. Coffey in "*full authority and responsibility as Medical Director*," decreasing his salary to a fee which approximates $760 a month and granting him corresponding time at his free disposal. In appreciation of Dr. Coffey's services the resolution read:

"RESOLVED, that this Health Service Board take this occasion to express to Dr. Coffey its unreserved confidence and very high appreciation of his administration of the office of Medical Director.

"This Board recognizes that for eight months prior to the engagement of Dr. Coffey, his time and services and that of his personal attorney were given unstintingly and without charge to working out a legal plan of Health Service which would provide adequate medical care at a reasonable cost to the members of the system and yet secure free choice of doctor and the proper compensation of the professional staff.

"The Board further recognizes that it was Dr. Coffey's unequalled experience and prestige which enabled him to organize a staff of the best doctors in San Francisco to give service to our members on the basis of a unit fee system.

"The Board further recognizes the integrity, impartiality and ability with which Dr. Coffey has administered his office, enforcing the firm discipline necessary to prevent abuses, and securing the benefits of the system to all of its members. He has, at the same time, protected the interest of the subscriber and insisted on justice to the doctors on the professional staff. His long experience and wise judgment have been of inestimable value in solving the hundreds of medical and administrative problems that have arisen."

EMPLOYEES

From the beginning it has been the earnest effort of the Health Service Board to keep administrative expenses at a minimum. It has felt that persons employed should be paid standard city wages. Under the charter

provisions the Board has no right to require certification of appointees from civil service lists and could not guarantee permanent tenure to anyone if they were so certified.

Generally speaking the Board has been fortunate in securing the services of persons who not only were competent, but were greatly interested in their work and willing to put forth their best efforts to make the system a success. In July, 1939, however, the Board deemed it necessary to make a major administrative change. Three employees were dismissed. Changes were made in the duties of others. Three clerks were transferred from being a charge on the medical fund to a charge on the administration fund to comply with the terms of the plan. By these changes the sum of $185 monthly was saved to the Medical Fund and became available for additional payment for medical service. The expense on the administration fund was increased $125 a month.

The change has completely justified itself in the improved morale and efficiency of the office force as well as by the net saving of $360 per month in salary expense.

OSTEOPATHS AND CHIROPRACTORS

In October, 1938, the Health Service Board began considering plans to provide service for those who wished to be treated by persons other than Doctors of Medicine. Representatives of Doctors of Osteopathy, of Chiropractic and drugless therapy presented various plans which, however, could not be worked in satisfactorily with Plan 1. A chief difficulty was that these groups were not admitted to practice in any of the hospitals with which the Health Service System had contracts. On March 10, 1939, the Board adopted a Special Service Plan to include services by these schools of healing. However, suits were brought to compel the admission of osteopaths and chiropractors to Plan 1. The Retirement Board, in view of the litigation then pending, and compelled to act within thirty days, rejected the Special Service Plan "without prejudice." The matter is still in the courts (March 1, 1940).

GENERAL STATISTICS

The statistics obtained by the Board through an extensive survey of the experience of the first year of operation of the Health Service System were used as a basis for making the adjustments in the benefits which became effective January 1st of this year and the change in the rate on some of the minor dependents which became effective a month later.

The data compiled showed in detail the cost of carrying the three general types of subscriber—employees, adult dependents and minor dependents—and a comparison of the expense of each subscriber group for each kind of service; that is, doctor service, hospital, x-ray, clinical laboratory and

ambulance. A similar comparison was possible by age groups, by sex and by departments.

In addition to the figures compiled on the cost of the various kinds of service for each type of member, information was gathered to show the cost of certain illnesses and operations. Much of this data, as well as that on the kinds of service, the types of subscriber, and the departments is too voluminous to present here in detail. Some of the more important findings will be summarized, however, in order that the members may see just what has happened under their system so far.

The figures used in this section are taken from the Board's statistical records and include a few minor adjustments that are not reflected in the preceding financial statement. The financial records had been closed for the period and the adjustments could not be shown. Most of the variance is in the total amount paid the doctors and is so slight that it does not affect the conclusions to be drawn from an analysis of the statistics. The net difference is $103.18 out of a total of $355,232.77 expended for medical care.

One of the most important discoveries of the survey—and this was merely a confirmation of earlier predictions—was the fact that the number of dependents using the service was far greater in proportion to the size of the group than the number of employees. This was especially true of the minor dependents. Sixty-seven per cent of the employees used the service during the first 12 months as against 79 per cent for adult dependents and 91 per cent for the minors.

The cost of all service by groups, exclusive of physiotherapy, as shown in the statistical records was $219,757.35 for employees, $85,364.53 for adult dependents, and $44,583.34 for minor dependents.

These sums divided by the number of persons in each group entitled to service—not to be confused with the number actually using the service—reveals that the cost per employee member per month was $1.87. The corresponding cost for dependents was $2.28 for adults and $2.05 for minors.

The average costs per patient—that is, the average cost for the year for each subscriber of each group who used the service—were $33.36 for employees, $34.66 for adult dependents, and $27.09 for minor dependents.

Although the expense for each minor who used the service was less than for each employee or each adult dependent the fact that a higher percentage became patients meant that they were by far the poorest risk. And against this poor risk during the first year was the factor of their low rate of contribution. For the $2.05 per minor dependent in the System that was paid out for their care only $1.00 or $1.50—depending on whether the employee enrolled more than one child—was contributed to the Medical Fund.

The same disproportion between the amounts paid in and the amount paid out for their benefits was true, but to a lesser extent, of the adult dependents. The sum of $2.25 per month went into the Medical Fund for

each adult dependent, but the cost per subscriber per month was $2.28. And this did not include physiotherapy or non-medical overhead. Clearly, then, what happened was that the contributions of the employees were making up the difference between the cost of the service the dependents received and the amount paid in for them.

A table here will show what might be called the surplus and deficit resulting from a comparison of the costs of employees and dependents. Of course there was no actual deficit because the contributions from all types of subscriber went into a common fund, and the unit method of paying the doctors was invoked as a means of assuring solvency of the System.

TABLE III

COMPARISON OF COST OF EMPLOYEES AND DEPENDENTS

12 Months ending September 30, 1939

	*Contributed for payment of Medical Bills	*Cost of Service*	*Surplus*	*Deficit*
Employees	$246,137.22	$219,757.35	$26,379.87	
Adult Dept.	78,397.46	85,364.53		6,967.07
Minor Dep.	22,197.76	44,583.34		22,385.58
*Totals	$346,732.44	$319,705.22	$26,379.87	$29,352.65

* These are net amounts available for payment of doctors and agencies of medical care after the expenses of physiotherapy, medical overhead, non-medical overhead and all other non-medical expenditures have been deducted. The difference between the total amount available for payment of medical bills from contributions of the year and the cost of the service, and between the totals of the surplus and the deficit column represents part of the sum of $3,427.19 appropriated to the Medical Fund of Plan 1 from the funds collected March 15, March 31 and April 15, 1938. This difference plus the unexpended balance of the Medical Fund and the difference between the financial and statistical records equals the amount transferred.

(All the above figures are based on the amounts actually paid out for medical care, and do not reveal what the cost would have been if the full value of the unit had been paid the doctors for all 12 months under the fee schedule in use during that time.

The ratio of the cost of each group to the cost of the others remains unchanged, of course, when the cost amounts are extended proportionately to the point where the full value of the unit would have been paid. The interesting discovery here is that a horizontal rate increase of 69 cents per subscriber per month would have been necessary. In other words, to have paid the doctors at a dollar a unit the monthly contribution rate for the employees and adult dependents would have to have been $3.19, and on minor dependents, $1.69 for those who were in at $1.00 and $2.19 for those whose rate had been $1.50.

If each group had borne the cost of its own service independently of the funds paid in for the other two groups, the rate for employees necessary to have paid the doctors the maximum value of the unit would have been $2.88 — an increase of 38 cents. The monthly contribution for dependents on this basis would have been $3.51 for adults and $2.91 for minors, increases of $1.01 for adults and $1.41 and $1.91 for minor dependents.

depending on whether or not the employee brought in more than one child. And this rate on minors does not allow anything for non-medical or overhead expense, as the entire amount of the contribution for these dependents is allocated to the Medical Fund. These theoretical rates do not indicate by any means what the subscription rates would have to be under normal or more or less static conditions to pay the doctors well. They merely show what the service used would have cost per subscriber if the full value of the unit had been paid during the first year—a period when disadvantages of innovation, the abuses, the misunderstandings, the chronic and pre-existing conditions in the membership, and the unforeseen difficulties of administration were felt to the fullest extent.

The following tables show a comparison of all service and the separate kinds of service (except physiotherapy) for 12 months by type of subscriber.

TABLE IV

ALL SERVICE

(Except Physiotherapy)

	Employee Members	*Adult Dependents*	*Minor Dependents*	*All Subscribers*
Average No. Subscribers	9,809	3,124	1,817	14,750
Using service	6,587	2,463	1,646	10,696
Percentage using Service	67	79	91	73
Average cost per Patient	$33.36	$34.66	$27.09	$32.69
Cost per Subscriber per month	$ 1.87	$ 2.28	$ 2.05	$ 1.98

NOTE:

At the request of the Board, Controller Harold J. Boyd made an extensive survey of the finances of the Board. In his report the following allocation of contributions to and expenditures from the Medical Fund is shown.

Medical Fund receipts:	
Average from all subscribers per month	$2.1178
Plus contribution from Plan 1 Inoperative	.0168
Total	$2.1346

This is made up of the $2.25 per month from each employee and adult dependent subscriber and the average of $1.1770 from each minor dependent subscriber per month.

Out of this average receipt per subscriber per month Controller Boyd assigns the expenditures as follows:

Medical Services	$1.9757
Medical Director	.0657
Personal Services (Physiotherapy and assistants)	.0586
Other expenditures	.0346
TOTAL	$2.1346

TABLE V

SEPARATE SERVICES

	Employee Members	*Adult Dependents*	*Minor Dependents*	*All Subscribers*
Cost per Patient Doctor Service	$22.62	$23.15	$21.63	$22.59
Per Subscriber per month Doctor Service	$ 1.27	$ 1.52	$ 1.64	$ 1.37
Number Patients Hospitalized	815	319	336	1,500
Per cent Subscribers Hospitalized	9	10	18	10
Cost per Patient Hospitalized	$62.80	$68.22	$19.63	$54.28
Average days per patient Hospitalized	8.7	9.5	2.7	7.5
Hospital Cost per Subscriber per month	$ .15	$ .58	$ .30	$ .16
Cost per Subscriber per month X-ray, Clinical Lab. & Ambulance	$ .15	$ .18	$ .11	$ .15

The following series of tables shows a comparison of medical costs of all service except physiotherapy by age groups. Male and female employees were tabulated separately. Both tabulations show a steady increase in cost from the lowest to the highest age groups. The cost per case for the men is higher than for the women, but a higher proportion of the women in each age group had medical care, making them a considerably poorer risk. With the exception of one irregularity the same increase by age group is seen in the cost of the adult dependents. Male and female adult dependents were not tabulated separately because there are not enough male adult dependents to provide a reliable basis for either an age or a sex comparison. The higher cost of the adult dependents over the employees is reflected in a comparison with each age group and either sex. Minor dependents were not separated by sex because of the belief that sex is not an important factor in either the rate or cost of illness in this type of subscriber. In fact a tabulation showed little difference by age except for one group. The age group from 5 to 9, inclusive, was much higher than any other. This is partly due to the large number of tonsil operations in the group.

TABLE VI

INCIDENCE OF ILLNESS AND COST BY AGE GROUPS

Male Employees

Age	*Number Employees*	*Percent Using Service*	*Cost Per Patient*	*Cost Per Employee Per Month*
Under 30	598	55%	$25.55	$1.17
30—39	1,619	62	30.08	1.56
40—49	1,517	62	30.87	1.59
50—59	1,637	64	36.32	1.93
60—69	944	71	43.97	2.60
All Ages	6,315	63%	$33.85	$1.78

TABLE VII

INCIDENCE OF ILLNESS AND COST BY AGE GROUPS

Female Employees

Age	*Number Employees*	*Percent Using Service*	*Cost Per Patient*	*Cost Per Employee Per Month*
Under 30	387	67%	$24.04	$1.35
30—39	1,179	76	31.15	1.98
40—49	1,023	76	33.29	2.10
50—59	573	73	35.95	2.20
60—69	292	77	39.73	2.54
All Ages	3,454	75%	$32.60	$2.03

Table VIII

INCIDENCE OF ILLNESS AND COST BY AGE GROUPS

Adult Dependents—Male and Female

Age	*Number Dependents*	*Percent Using Service*	*Cost Per Patient*	*Cost Per Dependent Per Month*
18—30	513	76%	$25.11	$1.60
30—39	735	78	34.62	2.25
40—49	687	78	33.84	2.19
50—59	541	81	37.29	2.51
60—69	399	81	38.69	2.63
70—above	249	82	43.14	2.95
All Ages	3,124	79%	$34.66	$2.28

TABLE IX

INCIDENCE OF ILLNESS AND COST BY AGE GROUPS

Minor Dependents—Male and Female

Age	*Number Dependents*	*Percent Using Service*	*Cost Per Patient*	*Cost Per Dependent Per Month*
Under 5	532	95%	$22.98	$1.81
5— 9	515	97	32.69	2.63
10—14	494	81	26.83	1.81
15—17	276	89	24.58	1.83
All Ages	1,817	91%	$27.09	$2.05

The following table shows a comparison by department of the number and percentage of subscribers—employees and dependents—using the service during the first 12 months, the average cost per patient, and the cost per subscriber per month for all medical service except physiotherapy.

TABLE X

INCIDENCE AND COST OF ILLNESS AND INJURY OF ALL SUBSCRIBERS BY DEPARTMENT

12 Months Ending September 30, 1939

Department	*Number Subscribers*	*Number Using Service*	*Percentage Using Service*	*Cost Per Patient*	*Cost Per Subscriber Per Month*
Education (monthly)	3,564	2,751	77%	$31.90	$2.04
Education (semi-monthly)	596	438	73	28.58	1.75
Fire	1,110	782	70	31.52	1.85
Health (Except S. F. Hosp.)	565	493	87	30.66	2.23
S. F. Hospital	679	554	82	29.06	1.98
Municipal Ry.	1,482	1,036	70	32.09	1.87
Park	542	338	62	37.45	1.95
Police	2,011	1,467	73	28.84	1.75
Public Works	1,277	895	70	36.91	2.16
Water	565	396	70	31.53	1.84
Miscellaneous	2,359	1,912	81	31.44	2.12
TOTAL	14,750	*10,696	73%	$32.69	$1.98

* Duplications due to same members being in different departments are eliminated.

The following table shows the number of patients treated for certain types of illness during the first 12 months of the Health Service, the cost of these illnesses, and the number and cost of certain operations. The amounts are the combined expense of doctor and hospital, but do not include x-ray and clinical laboratory examinations for ambulatory patients, ambulance or physiotherapy:

TABLE XI

NUMBER OF CERTAIN ILLNESSES AND OPERATIONS AND COST OF DOCTOR AND HOSPITAL SERVICE

Illness or Operation	*Number Patients*	*Cost of Doctor and Hospital Care*
Minor Respiratory	3,353	$23,525.91
Pneumonia	83	3,215.01
Diseases of the Heart and Circulatory System	1,371	17,142.32
Acute Communicable	930	6,408.41
Neuritis and Arthritis	777	6,433.57
Diseases of the Skin	938	5,708.56
Removal of Tonsils and Adenoids	387	15,933.60
Removal of Appendix	98	7,494.40
Removal of Gall Bladder	24	4,713.70
Other Laparotomies	68	5,682.35
Hernia	56	9,761.65
Fractures	178	6,867.04

SUMMARY

A summary of the experience of the initial period of operation of the Health Service System and an appraisal of the present situation indicates that the organization has passed through the most hazardous stages of its development.

It has seen the charter provision by which it was established and the Plan under which it sought to provide medical care for its members upheld in the highest court of the state. It has seen most of the doctors of the community come forth voluntarily to participate in the Plan for the benefit of those who desired their services. It has seen all but one of the major hospitals of the city enter into an agreement to accept member patients at a uniform rate of compensation, and it has seen numerous agencies of auxiliary medical care signify their willingness to take part in the movement to provide the best of medical care on a fixed rate, prepayment basis for a large group of what are, for the most part, low and moderate income persons.

It has seen a majority of the medical profession cooperate in an attempt to relieve the individual wage earner and family head who happened to be a city employee of the financial responsibility or fear of the financial responsibility of a serious illness or injury to himself or members of his family. It has seen a large portion of its members avail themselves of medical care and it has seen many of its members saved from a heavy burden of expense or indebtedness.

It has seen the medical profession of the state establish a similar health service for other low and moderate income groups in public and private employment.

It has seen a lessening of opposition to the idea of group health protection from many of those of both the medical profession and the membership who did not understand or were not in sympathy with the aims of the System and the Board chosen by the employees to administer it.

This change of attitude has come about as members and doctors became familiar with the working of the Plan and as improved conditions enabled the System to pay the doctors more nearly what their services were worth. At the time the doctors signed up with the Health Service they knew they were taking a risk. Neither they nor the Health Service Board knew what that risk was or what financial loss they might be forced to take. Their attitude was one of uncertainty but impartiality—to "give it a trial and see how it works." The result was that the doctors received somewhat less money from the city employees for each item of service than formerly, but

they rendered a great deal more service, and in the aggregate, received a much higher total payment.

When the value of the service unit went down to from 50 to 60 cents there was widespread dissatisfaction among the doctors, and this dissatisfaction carried over to the patients. Then, as the value of the unit increased toward the end of the first year, and as it was seen that adjustments could be made which would increase it still further, there was a lessening of criticism of the System from both doctors and patients. They were awaiting a review of the service by representatives of the doctors, the Medical Director, and the Health Service Board as provided in the Plan. By the time this review was undertaken it was obvious that the dependents were using too much service for what was being paid in for them. Restriction of the benefits for dependents to one year for chronic conditions and an increase in the rate for multiple minor dependents evidently would do much to better the position of members of the professional staff. These adjustments were made. Next, in order to curb abuses by a few of the doctors and more than a few of the patients, and in order to provide more money for a majority of the doctors without seriously affecting most of the members, the number of office visits per month for which the Health Service would pay was limited to five per patient. Home and hospital visits remained unchanged. These and other adjustments, together with the partial clearing up of pre-existing conditions and the realization by some of the members that if they were to receive the best of medical attention when they really needed it they couldn't have too much when they didn't need it, have made the difference between paying the doctors inadequately and paying them somewhere, at least, near what they believe their services are worth.

For January of 1939 the doctors received 50 cents a unit. For the last month of that year they received 80 cents, an increase of 30 cents or 60 per cent over the low for the year. The full effect of the adjustments in the Plan have not yet been felt. It is the firm belief of the Health Service Board that within a few months after the adjustments have become fully effective the rate of payment will be high enough so that there will be very little criticism of the System on that score.

In the meantime, the Board is devoting its efforts to other problems. It is attempting to maintain the most efficient administrative procedure possible so that as large a portion of the employees' contribution as possible may go for actual medical care. It is attempting to extend the hospital benefits by using the funds saved through administrative economies to provide additional care for those who need more than 21 days. It has adopted and is attempting to put into operation a plan to supplement Plan 1 by providing the services of non-medical practitioners for those employees

who prefer them to doctors of medicine for conditions which do not require hospitalization.

Finally, it is attempting to build up, step by step, a group health protection system which, through the combined contribution by its members of a nominal monthly sum, will meet the medical needs of the individual subscriber without disturbing the time-honored relationship between the doctor and his patient.

The Board believes it has gone far in this attempt. It believes that the municipal employees of San Francisco now have a workable health service system, one which will endure and will become a model for other public employee groups throughout the country, and one which, over a period of time, will mean better health for its members and greater security through removal of the danger of financial loss from serious illness or injury.